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THE LEAGUE'S BUSINESS

Municipal Administration Service Moves to Chicago.—As is well known to our members, the Municipal Administration Service since its organization in October, 1926, has operated in connection with the League secretariat and its efforts have been closely identified with those of the parent organization. The establishment of the Service was made possible through a three-year grant from the Laura Spelman Rockefeller Memorial, now the Spelman Fund of New York. At the expiration of the original grant the contribution was renewed by the Spelman Fund on slightly different terms which involved our raising money from other sources partially to match the Spelman grant. The final grant of the Spelman Fund expired in May, 1932, and the Service has since that time been operating on a reduced basis, being supported in part by contributions from leagues of municipalities and other organizations making bulk use of our publications.

The Municipal Administration Service has now been moved to Chicago to operate hereafter under the auspices of the Public Administration Clearing House. The name will be changed to Public Administration Service and its policy will hereafter be determined by a governing committee composed of the secretaries of the various national organizations located on the University of Chicago campus. Charles S. Ascher, assistant director of the Public Administration Clearing House, will become director, and the joint reference library now maintained by the several coöperating groups at Chicago will provide library facilities for the Public Administration Service.

An arrangement has been worked out whereby sustaining and contributing members of the National Municipal League will continue to receive copies of the publications of the Public Administration Service as in years past.

It is in order at this time to express our thanks to the members of the governing committee who have assisted greatly in carrying on the work of the Municipal Administration Service in connection with the League secretariat. The personnel of the committee is as follows: *chairman,* Murray Seasongood, president, National Municipal League; *representing National Municipal League*: Harold S. Buttenheim, editor, The American City; Harold W. Dodds, Princeton University; and Henry M. Waite, Cincinnati; *representing Governmental Research Association*: William C. Beyer, Philadelphia Bureau of Municipal Research; Luther Gulick, Institute of Public Administration; and Lent D. Upson, Detroit Bureau of Governmental Research; *representing International City Managers' Association*: H. F. Burkholder, city manager, Edgeworth, Pa.; R. W. B. Hart, city manager, Lynchburg, Va.; and Stephen B. Story, Concord, N. H.; *representing American Municipal Association*: Frederick N. MacMillin, League of Wisconsin Municipalities; Don C. Sowers, Colorado Municipal League; and Morton L. Wallerstein, League of Virginia Municipalities.

President Seasongood Continues Efforts in Behalf of National Municipal League.—On January 5, the honorable Murray Seasongood, president of the National Municpal League, was the speaker of the evening at a meeting of the Columbus Bar Association in honor of the governor and the judges of the Supreme Court of Ohio. Those present were told about the work of the National Municipal League, especially in the field of constructive economy in local government. On February 9, president Seasongood addressed a meeting of the Economic Club at the Hotel Astor in New York City and told those present about the constructive results of city management in Cincinnati, as well as about the work of the National Municipal League. The other speaker at the Economic Club dinner was the honorable Samuel Seabury.

RUSSEL FORBES, *Secretary.*

Editorial Comment
April

NATIONAL MUNICIPAL REVIEW

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Citizens' Councils for Constructive Economy

ON JANUARY 5, 1933 a group of citizens met in Washington at the call of the President of the United States to consider the crisis in education. Members of this group were selected by national organizations representing agriculture, business, government, education and public welfare.

Among the seventy who attended, there were eleven labor leaders, eleven agricultural leaders, six leaders in business and industry, four experts in taxation and budget making, two economists and political scientists, two lawyers, six leaders of civic organizations, ten university presidents and professors, ten state and city superintendents and other leaders of public education, two government officials, and six men of various other professions but interested in this topic.

One of the findings of this conference was the recommendation that there be set up in every community Citizens' Councils broadly representative of all interests to clarify and mobilize public opinion in matters of vital concern to the community. This proposal attracted the attention of a number of national organizations and led to three informal conferences in New York, Chicago, and Washington to consider plans for its realization in practice.

Each of these three conferences unanimously approved the proposed organization of local Citizens' Councils and appointed a small committee to make plans. The members of the committees thus appointed constitute the central committee. They are: Carl H. Milam, American Library Association, Chairman; Mrs. Hugh Bradford, National Congress of Parents and Teachers; Louis Brownlow, Public Administration Clearing House; Harold S. Buttenheim, The American City; Arnold Bennett Hall, The Brookings Institution; Lee F. Hanmer, Russell Sage Foundation; Fred Hewitt, American Federation of Labor; Charles H. Judd, University of Chicago; Charles R. Mann, American Council on Education; John K. Norton, Columbia University; Milton E. Potter, Department of Superintendence of the National Education Association; and Clarence E. Ridley, International City Managers' Association.

The central committee urged the National Municipal League to undertake the direction of this movement, a proposal which was approved by the executive committee of the League, and the League's Committee on Constructive Economy is being enlarged and reorganized to supervise this work.

There has been general agreement that the end sought could not be achieved by any over-all national action, but only by appropriate co-operation of citizens' groups in each community and state. It was therefore voted that all national organizations interested in better public service in any of its phases should be invited to encourage their members to participate in the organization of local Citizens' Councils. It was also agreed that a local Citizens' Council should be a council of representatives of existing citizen groups and public boards, not a large membership organization which might tend to duplicate and weaken present groups; also that each Council should be completely autonomous.

By way of suggestions to national organizations and their members concerning the organization, function and activities of such Citizens' Councils, the following statement has been prepared. Since conditions in various communities differ widely, no one statement would apply to all communities. It is hoped that each community will find herein hints and suggestions that will be useful to it in organizing a local citizens' council that will meet effectively the conditions peculiar to its own community.

OBJECTIVES

The objectives of a Citizens' Council are:

1. To promote interest in local and state governmental problems, to the end that the present widespread demands for reduction of public expenditures may produce actual and permanent improvements in the governmental organization, the tax system, and the services rendered by public and semi-public agencies.

2. To encourage the organization of local and state Citizens' Councils to consider the problems of maintaining essential community services in the face of the need for reduction of public expenditures.

WHAT WOULD A CITIZENS' COUNCIL DO?

In general it would do anything it could to promote constructive economy in local and state government and assure the maintenance of socially useful public and semi-public services. More specifically it is suggested that members of your Citizens' Council begin by informing themselves about local expenditures and services through seeking the answers to such questions as the following—beginning with whatever specific problem is most acute in your community.

FOR IMMEDIATE CONSIDERATION AND ACTION

A. *For what services do you pay? How much?*

1. Has the school enrollment increased? In what grades? Are demands for adult classes less or greater than formerly? What economies have been put into effect? What were total expenditures and expenditures per capita of the population for each of the last three years? How much of this is for the debt service? What are the schools' chief problems?

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Readers of the REVIEW will regret to learn of the death on March 13 of Dr. E. C. Branson of the University of North Carolina. Professor Branson was called to the Chapel ill institution in 1914 to establish the Department of Rural Social-Economics. Through this medium he and his associates assembled, interpreted and dissemminated the facts—both pleasant and unpleasant—about the ecnomic, social, and civic life of the state. One field in which Dr. Branson did pioneer work was county government, and to him belongs much of the credit for focusing attention on this neglected sector of government and laying the foundations for the improvements which were later realized in the state.

HEADLINES

The recently adopted amendment to Idaho's constitution permitting county consolidation will probably be made effective through legislative enactment at this session of the legislature, according to advices from Boise.

* * *

A bill to enable Colorado cities to adopt the manager plan has been introduced into the legislature. The measure follows the general lines of the Model City Charter of the National Municipal League. A bill requiring all local taxing units to prepare and adopt a budget in accordance with standard practice as set forth in the League's Model Budget Law has also been introduced.

* * *

Every four years Philadelphia elects three county commissioners who receive $8,000 a year and are no more needed than a fifth wheel on a wagon in the opinion of the Philadelphia Bureau of Municipal Research, like the numerous lucrative jobs in the five county governments in New York City which furnish much nourishment for Tammany Hall.

* * *

A bill to submit to the voters of Alabama a constitutional amendment permitting the legislature to abolish county government in Alabama and substitute a system of district government has been introduced into the legislature. Knowing nothing of the bill's chances of passage, it is significant enough that such a measure should be introduced.

* * *

A tax on commuters has been suggested by Mayor O'Brien of New York City as one new source of municipal revenue. As if the life of a commuter were not tough enough, as it is!

* * *

Trust California not to be outdone by the Technocrats "on Morningside." A bill has been introduced in the California legislature to establish a commission which shall have power to issue energy certificates to be issued in accordance with a plan to be established by the commission to relieve unemployment.

* * *

All taxing units in Iowa must reduce their total levies to less than 75 per cent of the total levies for the year 1930 under the terms of a bill passed by the Iowa Senate. That might be termed tax reduction with a meat axe!

* * *

"Don't you think that Mayor Moore is better than any city manager the city could get?" The question was asked by Senator Harry Shapiro of Philadelphia at the State Senate hearing on the manager bill for the Quaker City. One way to answer that query would be for Philadelphia to try the manager plan for a year. The other way would be to compare Philadelphia's government with that of Cincinnati.

Is Budget Slashing Imperative?

Writer takes issue with view that expenditures should be maintained: country must face cold fact that governments cannot raise the money — challenge to Mr. Buttenheim

GAYLORD C. CUMMIN *President, Municipal Securities Service of Boston*

THE above question is given an answer by Harold S. Buttenheim in the March number of the NATIONAL MUNICIPAL REVIEW. His position, in brief, is as follows:

Government must be placed at or near the top of America's profitable industries. That the amount spent on government as compared to the amount spent on automobiles, yields a greater profit in service and satisfaction. That the money spent on government is, equally with that spent for other purposes, poured into the general economic stream through wages, salaries, materials, supplies, etc. That governmental waste should be eliminated wherever possible. He concludes that governmental expenditures should not be curtailed—and that "budget-slashing" embodies a false philosophy.

This seems to be a fair statement of Mr. Buttenheim's position. I heartily agree with his premises, but just as heartily disagree with his conclusions.

The answer to Mr. Buttenheim's contention can be given in a few words: *"Where is government going to get the money to maintain the former scale of expenditures?"* All the theoretical and logical reasons put forth by Mr. Buttenheim give no answer to that question.

To those of us who are concerned with the very practical problems of public finance and public credit, it is clearly apparent that, under present conditions, *government cannot get the money to maintain its former scale of expenditures.* Budget "slashing" is imperative as an alternative to public insolvency. It is far better to reduce or eliminate some governmental functions rather than have a complete paralysis of all governmental functions.

Government secures the funds with which to perform its functions chiefly from taxes, or from loans which are finally paid from taxes. The records of the last few years show that taxes are increasingly difficult to collect—more so in some places than others—but more difficult everywhere. Tax delinquencies are reaching unheard of heights in many communities. If government is to continue to spend on the same scale as formerly, those still able to pay taxes will have to shoulder a large part, at least, of the burden of those no longer able to pay, as well as their own. This means increasing taxes on those now able to pay, which will inevitably throw some of this group into the "not-able-to-pay" class. Any close student of the present tax problem is aware that a constantly increasing amount of taxes is being paid from past accumulations instead of present earnings. As the bottom of the accumulation "sock" is reached, tax delinquencies will mount still further.

The widespread economic distress has thrown upon government a huge and

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Where Government Can Get the Money

Writer of "Why Throttle One of Our Most Profitable Industries?"[1] says federal credit should be marshalled in war or depression—rejoinder to Cummin criticism

HAROLD S. BUTTENHEIM — *Editor, The American City*

If Mr. Cummin had added one word in the second paragraph of the foregoing article, I could find no fault with his summary of my position as to public spending. I do not maintain, as there stated, that "governmental expenditures should not be curtailed," but I do maintain that they should not be *unwisely* curtailed. In the article to which Mr. Cummin takes such vigorous exception I urged that we "get rid of public services that do not serve and of functionaries who do not function." But that economic recovery can be aided or the public welfare advanced by eliminating services that *do* serve and functionaries who *do* function, I cannot believe.

Though arguing that "we must 'slash budgets' or smash," Mr. Cummin would not ignore the fact, I am sure, that in many instances false economies may work greater hardship on the individual citizen and injure business more seriously than taxes are doing. My opposition, similarly, is not to reduction in useless or wasteful expenditures, but to the indiscriminate and reckless budget slashing which takes little or no thought for the social costs involved. Unless reduction comes from real governmental economies and more efficient methods of conducting public business, certain evils are more than likely to result. Fire and accident rates may mount; health conditions may deteriorate; education and recreation may suffer; crime may increase. To say nothing of their effects on individual happiness and welfare, such results as these will mean greater economic costs to the taxpayer than does the tax burden, if this burden is distributed in accordance with sound principles of fiscal justice.

If Mr. Cummin means that I am opposed to a reduction of governmental expenditures *in the aggregate for the nation as a whole,* his statement is correct, and an answer must be given to his very proper challenge, "Where is government going to get the money to maintain its former scale of expenditures?"

The fundamental cause of our present economic plight is not that our expenditures, public or private, have been or are too great in the aggregate, but that they have been and are unwisely distributed. In an age of vastly increased productive capacity there is no hope of achieving maximum well-being by enforced reduction of output of our factories and farms and governmental services.

During our late-lamented boom period, government as a whole spent not too much but too little; for if we had then taken warning of the growing unemployment on the farms and in the industrial centers, and had absorbed our surplus labor by greater and greater

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[1] National Municipal Review, March, 1933, p. 118.

Financial Dictators Replace Political Boss

Recent developments in New York, Chicago, Detroit and Philadelphia reveal significant transfer of power; credit is king

BY WILLIAM C. BEYER *Director, Bureau of Municipal Research of Philadelphia*

Is there taking place a shift of power in city affairs from the political boss to the financier? If so, what are the implications of this shift for the cause of better government?

These are stirring times for city governments as well as for all other institutions. The business depression, which seems to have left nothing untouched, has made itself felt keenly in cities, especially in the larger cities, throughout the country. Embarked on an ever-expanding program of expenditures, they suddenly found themselves faced with rapidly declining revenues. Something out of the ordinary had to happen —and it is happening. In fact, so much of an extraordinary nature is occurring in municipal affairs these days and events are crowding each other so closely that even the most detached observer must be somewhat bewildered. To undertake an interpretation of these events now is like attempting an interpretation of a tornado while it is still raging.

THE SHIFT OF POWER

It seems clear enough, however, that power is shifting from the political boss to the financier. The term "political boss" is here used in a somewhat symbolic sense and stands for the political organization as well as for the boss, if there is one. Not every city has a political boss. In like manner, the term "financier," though singular, is to be understood as plural and to symbolize the financial interests, more particularly the bankers. Another way of putting it is to say that power is shifting from the political organization and its leaders to the financial interests of the community, especially the bankers.

This is happening in a perfectly natural way. City governments rely on banks for financial services: the banks market their bonds and also make loans to cities to enable them to meet their cash needs. A very common practice of cities is to borrow money from banks in anticipation of tax collections later in the year. The depression has greatly increased the dependence of cities on the banks, for as tax collections have fallen off cities have been more and more compelled to resort to borrowing in order to meet their current obligations. So long as a city is a good credit risk and may be expected to make its debt payments promptly, banks are ready enough to advance needed cash without asking questions about the city's management. When it ceases to be a good credit risk, banks become more cautious in lending money to it. If they fear that the city is drifting toward default in its debt payments, they are likely to condition further loans upon tangible evidence that the city is "putting its house in order." They may even specify what measures of

economy the city shall adopt. The city authorities and the political organization back of them may writhe under this situation, but, unless they can find some other way of paying their bills, they are obliged to give heed to the terms of the bankers. Thus it comes about that the political boss must harken to the advice of the financier even though the financier may advise unpleasant measures of economy.

In the four largest cities in the United States, New York, Chicago, Philadelphia, and Detroit, we find the financier at various stages in his invasion of the territory of the political boss. He is in the very early stages in Philadelphia, a little farther along in New York, and well advanced in Detroit and Chicago. Let us note briefly the story of this invasion in each of these four cities.

Philadelphia: The Financier Cautions

Logically, though not chronologically, the Philadelphia story comes first. In the early fall of 1932 the city-county government of Philadelphia ran short of cash and besought the bankers for a temporary loan. Ordinarily temporary loans are granted as a matter of routine, but this time the banks took a different view of the proposed transaction. After advancing $1,500,000, they called for further information about the city's finances.

There was, of course, justification for proceeding with caution. While Philadelphia's general financial condition is sound, its recent history had not been good. For all of a decade it had had a continuous succession of deficits, and these deficits were becoming larger: $3,400,000 in 1926, $6,700,000 in 1927, $3,600,000 in 1928, $7,300,000 in 1929, $7,500,000 in 1930, and $17,700,000 in 1931.[1] The year 1932 was headed for a deficit at least as large as that of 1931. These deficits were not mere bookkeeping figures. They represented bank loans, mandamuses outstanding against the city bearing 6 per cent interest, and overdue bills for materials and services. In part the deficits were due to falling tax collections, the taxes remaining unpaid at the end of the year in which they were payable having grown from 5.94 per cent of the tax levy in 1926 to 21.42 per cent in 1931 and 24.86 per cent in 1932. In 1931 unemployment relief expenditures were also a factor. But the principal cause of the deficits was bad budgeting: over-estimating of revenues and under-providing for known needs of the city. The city's credit, moreover, had suffered. Toward the close of 1931, while the bonds of many other cities were selling at interest yields of from 4 to 4½ per cent, Philadelphia experienced great difficulty in marketing a $15,000,000 bond offering at 4¾ per cent. In the late spring and summer of 1932, the city had even greater difficulty in disposing of $20,000,000 of 5 per cent bonds. That the bankers finally held back on temporary loans to the city is not altogether surprising.

There followed a series of negotiations between the bankers and the city authorities in which the bankers urged a reduction of expenditures and the framing of a budget more nearly balanced than previous budgets had been. While these negotiations were in progress the city council was deliberating on the budget for 1933. Under a continuance of the existing tax rate, the revenues in sight were estimated by the controller at about $81,000,000. This meant that the expenditure budget transmitted to council by the mayor had to be cut by more than $20,000,000 if the budget was really to be balanced without increasing taxes. Spurred on by the admonition of the bankers, the council began making slashes in

[1] As, under the city charter of Philadelphia, the deficit of a year becomes a lien upon the revenues of the following year, the figures given above represent the accumulated deficits, not each year's addition to the city-county deficit.

proposed expenditures. The bankers meanwhile advanced additional sums: $840,000 early in December to meet the unpaid part of the city payroll for the first half of November, and $3,000,000 later in December to meet the payroll for the second half of November and the first half of December. In granting the $3,000,000 loan the bankers took occasion to observe, in a letter to Mayor Moore, that, in spite of the efforts of city council up to that time, the budget would be "only nominally balanced," but that "the efforts now being put forth by your administration and council, together with the plan for further action outlined in your letter, warrant us in granting the temporary loan of $3,000,000 requested." On December 31, the banks made still another loan, this time of $2,000,000, making the total of their temporary loans to the city in the fall of 1932 $7,340,000. Before the last loan was made it was expected that the mayor would name a committee of citizens to make a survey of the entire city-county government with a view to placing the city on a sounder financial basis. Such a committee, however, has not yet been appointed.

At this writing all is quiet on Philadelphia's financial front, but the quiet probably will not last for long. Despite the efforts of both the mayor and city council, the city's budget is still far from balanced. Even if we assume that the revenues in 1933 will come up to the controller's estimate, and assume also that a non-recurring receipt of $4,500,000, upon which the city is counting but which is not yet assured, will actually materialize, the budget is still at least $5,000,000 out of balance. Unless revenues exceed expectations or other relief comes to the city, payless pay days will recur next fall and the city authorities will again have to appeal to the bankers for loans. What the attitude of the bankers will be then remains to be seen.

New York: The Financier begins Dictation

This brings us to the New York story. In it we find the financier in a somewhat more assertive rôle.

The first encounter between the bankers and the city officials came early in 1932. A shortage of cash to meet maturing short-term notes and other current obligations brought the officials to the bankers for a temporary loan. The bankers, headed by Thomas W. Lamont, of J. P. Morgan and Company, at first refused, but later Mayor Walker prevailed upon them to make the loan without conditions, except the general promise to economize as much as possible.

As in Philadelphia, the bankers were not wholly without reason for proceeding cautiously. Close observers regard New York City as being fundamentally sound financially, but its cash position was becoming difficult. Despite increases in the tax rate in 1931 and 1932, the general revenues of the city fell from $674,600,000 in 1930 to $627,400,000 in 1932, a drop of $47,000,000. Its expenditures on the other hand, continued to rise. The city's total payments for current expenses mounted from $558,500,000 in 1930 to $658,300,000 in 1932, an increase of almost $100,000,000. It is worth noting that this increase was due in part to unemployment relief which in 1932 absorbed $33,000,000. A $14,800,000 refund in 1932 of bank taxes for the years 1923-6 also helps to account for the marked rise in payments for current expenses. With its revenues declining and its expenditures increasing, the city was forced to increase its temporary borrowings. During the three-year period 1930-32, there was a net increase of $149,700,000 in temporary debt for current purposes. The aggregate of

borrowings for current purposes in 1932 was $698,000,000. While some of this money was obtained from the city's pension funds and sinking funds, most of it came from the banks which purchased the city's short-term obligations and then disposed of them, at least in part, to the public. Quite naturally neither the investing public nor the banks were reassured by the rapid increase in the city's floating debt and the banks finally resolved to call a halt.

This resolve was carried out in the fall of 1932 when the city again ran short of cash and appealed to the bankers for help. Under the leadership of Charles E. Mitchell, then president of the National City Bank, but since resigned under public criticism for unethical practices, the financiers presented a firm front and insisted upon definite promises of budget reduction before agreeing to accommodate the city further.

One of these promises involved the abandonment of the pay-as-you-go policy in subway construction and resorting to long-term borrowing for this purpose. By so doing a saving of about $50,000,000 in the 1933 tax levy could be effected. The other promise was to make a $40,000,000 reduction in the budget, $20,000,000 of which was to come out of salaries. Both promises were given. As the cut in salaries could not be accomplished without legislation at Albany repealing certain mandatory provisions of state law affecting the pay of certain groups of city employees, among them teachers, policemen, and firemen, a special session of the legislature was called and the mandatory provisions were repealed.

The bankers had their way. It is worthy of note also that, in the loan negotiations, the bankers appear to have dealt directly with the political machine.

Detroit: Control by Financier and Industrialist

In Detroit the financier has played a dominant rôle on the municipal stage for a longer period than in either Philadelphia or New York and has gone considerably further in enforcing reductions in city expenditures.

Detroit got into financial difficulties early in the depression. Its principal industry, the automobile industry, suffered severely from the start. The city quickly found itself confronted with an unusually big unemployment problem and was obliged to provide huge sums for unemployment relief out of its public treasury. During the fiscal year ended June 30, 1931, Detroit spent $13,500,000 for this purpose. On the other hand, tax collections fell off sharply. According to the Detroit Bureau of Governmental Research, the taxes remaining unpaid at the end of the year in which they were payable mounted from 8.8 per cent of the tax levy in 1928-29 to about 36 per cent in 1931-32. The result was huge deficits.

To make the situation worse, Detroit had outstanding a large volume of short-term securities issued in anticipation of bond sales and then found it inadvisable in the prevailing market conditions to float the bonds. About $25,000,000 of the city's floating debt in 1931 consisted of these securities. At the close of the fiscal year ended June 30, 1931, Detroit had a floating debt consisting of short-term loans of about $62,000,000. It was this huge floating debt that brought about banking intervention in Detroit's municipal affairs.

The first intervention was through the Committee on City Finances, popularly known as the "Stone Committee." It was formed upon invitation of the city council toward the close of 1929. Its chairman was Ralph Stone, chairman of the board of the Detroit Trust

Company and in its membership were representatives of eight of the more important business and civic organizations of the city, among them the Detroit Bureau of Governmental Research and the Detroit Citizens League. Dr. Lent D. Upson, director of the Detroit Bureau of Governmental Research, served as secretary of the Committee and C. E. Rightor, then chief accountant of the Bureau and now city comptroller of Detroit, served as assistant secretary. From this committee came a long series of constructive suggestions for controlling and reducing expenditures. Most of these suggestions were adopted by the city authorities.

In 1931 the New York bankers also stepped into the scene. They were asked for short-term loans of $20,000,000 and, as a condition of making them, required the city to balance its budget, that is, live within its cash income. This demand, plus the pressure from the Stone Committee, resulted in the acceptance by the mayor and city council of a nine-point program of retrenchment. Among other things, the appropriation for unemployment relief was reduced from $13,500,000 to $7,000,000; a $30,000,000 bond issue was floated to relieve the cash shortage; and operating expenditures were drastically cut.

In the summer of 1932 another local committee, the "Sloan Committee," came into being. It represents the Detroit banks, the big industrial establishments, and the downtown mercantile concerns. In order to maintain the essential services of the city, this group agreed with city council to pay some taxes in advance to meet a then existing emergency and eventually to buy $20,000,000 of tax anticipation bonds to meet the cash shortage of the year. The city, on its part, was to make a further reduction of $7,000,000 in its budget, thus bringing it down to $49,000,000. It had been $76,000,000 two years before. Drastic as this reduction was, the city made it. The Sloan Committee promptly carried out its agreement to pay some taxes in advance. Difficulty, however, was encountered in carrying out the second commitment, to take and sell $20,000,000 of tax anticipation bonds.

When the Michigan bank crash came on February 14, pledges for the purchase of $2,000,000 of these bonds had been secured and pledges for $8,000,000 more were in sight. It was anticipated that the remaining $10,000,000 of bonds would be taken by the New York banks. Then the banks closed and the Committee notified the city that the deal was off.

A serious situation now confronts Detroit. Unless the city authorities can still persuade the local industrial and financial interests to absorb the tax anticipation bonds, or can raise cash in some other way, the city may have to default in its payment of interest. Early in March the city council authorized the issuance of $5,000,000 of scrip to meet payrolls. This scrip, which will bear 5 per cent interest, will be in anticipation of next year's taxes.

Chicago: The Financier in Full Control

The Chicago story is quite old by now and has had wide publicity. In it the financier has played a large part from the beginning and has recently come, in an indirect way, to dominate the entire Cook County governmental scene.

Chicago's financial troubles had already started before the depression struck the country. In 1928 its real estate assessments were challenged in the courts and were found to be full of irregularities. As a result the state tax commission ordered a re-assessment of all real estate in Cook County. While this re-assessment was being made tax collections were suspended; in fact, taxes were not collected for about two

is held out for the future, however, the property-owner—or the holder of the second mortgage, or even the first mortgage—is forcibly impressed by his current need for money. This, in part—but only in part—as pointed out below, is of course the source of the well-organized efforts by various real estate groups to cut expenditures and to increase taxes in other directions, so that their current tax payments may show a drop more in proportion to the recent decline in their revenues. How swift this drop in property taxes should be, relative to the drop in current income, is not a matter which can be adequately treated here. It is important to note, however, that the sales tax is essentially a state tax. In those states where the advocates of a sales tax are interested primarily in a reduction of local taxes, they necessarily face the problem of readjusting state and local functional or financial relationships.

As to the income tax, the decrease in yield has been so swift and so large that it has inevitably posed the question of additional sources of revenue. In Mississippi, for instance, income tax revenues are reported to have dropped from $1,720,495 in 1929 to $328,806 in 1932.[3] In New York State, where a retail sales tax is now before the legislature, the personal income tax yielded $83,000,000 in 1929, and it appears that the yield for the fiscal year 1933 will be the equivalent of $15,000,000 to $20,000,000 under the 1929 rates (since that time the rates have been doubled).

A TEMPORARY OR A PERMANENT TAX?

In the confusion attending present fiscal discussions, a fundamental point is likely to be overlooked. That point is: do those who advocate a sales tax wish it as a permanent part of the tax system, so that when better times come, other taxes may be reduced or abolished while it remains—or do they favor it only as a temporary measure, to be discontinued as soon as the present acute crisis is past?

If they favor it as a permanent feature of the fiscal system, doubtless they are taking a strategic time to press their point of view. Their arguments, however, must not run in terms of the present load on property, or the present decrease in income tax yield. They must show that there was something fundamentally wrong with the distribution of the tax burden even in 1929 and 1930. Certain real estate groups appear to hold this view; in New York, for instance, real estate interests were urging a sales tax two and three years ago. The arguments pro and con cannot be set forth here at length; to mention one important factor, however, the burden placed on the small-income man, even in normal times, by federal customs duties and excises, and by that part of the real estate tax which is shifted to tenants, indicates that the proponents of the sales tax as a permanent levy appear to face a formidable task, to say the least, in their campaign.

Those sales-tax advocates who favor the levy as a temporary tax are in somewhat of a dilemma. Difficult to enact, it is also difficult to remove, if the experience of other countries is any criterion. This is natural, since the tax tends to become "hidden" from those who bear the ultimate burden, and, hidden or not, rests on those who are relatively poorly organized and ill-equipped to battle for the removal of the levy. The opposition in enacting the tax seems to come largely from organized retailers, who fear—and rightly so—that in the period of readjustment they will lose much money. Once the tax has been in force for some time, it is possible

(Continued on page 178)

[3] *Mississippi's General Sales Tax: How It Works.* Bulletin of the University of Mississippi, Series XXX, No. 3, January, 1933, p. 8.

Federal Aid for Municipalities

Many urgent local problems are due to national causes and must be met by national remedies

BY PAUL V. BETTERS *Secretary, American Municipal Association*

THE Emergency Relief and Construction Act of 1932 did one notable thing. It placed municipalities in direct contact with the federal government in no uncertain way—first on relief and second on loans for "self-liquidating" projects. Just as the unemployment relief situation resulted in federal legislation affecting every urban government in the United States, it now appears that the crisis in municipal finance will lead to some additional action by the federal government.

The writer has been asked to indicate the general relationships between cities and the national government on the relief side as well as to indicate such other relationships as are likely to develop in the near future. To have discussed this matter a year ago would have seemed revolutionary since the average concept of the problem has been that cities were related in no way with the federal government. Of a number of works on municipal government examined recently, but one pictured any real connection between municipal corporations and the federal administration. If there were any doubts as to the many points of mutual federal-municipal interest prior to 1932 they have been entirely removed by events during the past year. Practically every day during the last three months has seen some proposal introduced, debated or acted upon by Congress vitally affecting the status and functioning of city governments.

The scene is such a rapidly changing one that what may be written today will be ancient history by the time this statement appears in print.

UNEMPLOYMENT RELIEF

When the Emergency Relief and Construction Act of 1932 was enacted, it carried a section making available to the states, municipalities and other political sub-divisions the sum of $300,000,000 to be advanced to such governmental units for direct relief and work relief. This fund was to be supplemental to state and local revenues in meeting the relief situation. The act provided for advances to states and political subdivisions under two general procedures: (1) To the states upon application of the governor showing need and lack of resources, with repayment to be made from future federal highway appropriations (section C), and (2) To cities and counties (through the governor) in the nature of loans secured by evidences of indebtedness as collateral (section E).

During the early months of the administration of the Act one or two very serious problems arose. Several governors who did not desire the state government to assume any financial responsibility for relief were insistent that all federal advances be under section E, which did nothing more than to increase the indebtedness of the aided communities, since collateral had to be

posted with the Reconstruction Finance Corporation against all advances to the local units. As time went on, however, most of the states came in under section C, with the state government assuming responsibility for repayment out of future road appropriations.

At the present writing about forty states have secured funds from the R. F. C. for relief purposes and the original $300,000,000 will soon be exhausted. As a matter of fact, Illinois has already practically exhausted the amount it can receive ($45,000,000).

During the session of the lame-duck Congress two relief bills were presented in the Senate: The LaFollette-Costigan Bill and the Wagner Bill. The chief point of difference between the two was that the first mentioned provided for direct grants to the states while the latter continued the policy of advances against future road appropriations. The Wagner Bill passed the Senate but the House did not take action on it.

It is believed that the relief program of the new administration will contain, when adopted, an appropriation of one-half million dollars on a grant basis to the states.

Without the aid of some portion of the $300,000,000 many cities would have been financially prostrate. After carrying the burden alone in most states since the beginning of the economic depression, they were nearing the point of exhaustion of financial resources for relief purposes. Certain it is that without federal relief funds such cities as Chicago, Detroit, Cleveland, St. Louis, Seattle, Minneapolis, St. Paul, Toledo, Akron, Milwaukee and hundreds of others would have found it impossible to meet the serious situation.

While the Act has been attended by haphazard administration in many states, due largely to the emergency character of the problem, it is believed that satisfactory administrative methods will evolve under the new administrative measure.

LOANS TO MUNICIPALITIES FOR SELF-LIQUIDATING PROJECTS

It will be recalled that Title II of the Emergency Relief Construction Act of 1932 also made available to the R. F. C. $1,500,000,000 for the purpose of effecting loans to municipalities and other specified agencies for "self-liquidating" projects to aid in creating employment.[1] The Act defined a "self-liquidating" project as follows: "A project shall be deemed to be self-liquidating if such project will be made self-supporting and financially solvent and if the construction cost thereof will be returned within a reasonable period by means of tolls, fees, rents, or other charges, or by such other means (other than by taxation) as may be prescribed by the statutes which provide for the project."

Whatever may have been the intent of the framers of the legislation, Title II has turned out to be a complete and dismal failure in so far as the stimulation of employment through municipal "self-liquidating" projects is concerned. In spite of a nation-wide campaign to promote sound municipal applications for loans from the R. F. C.,[2] few actual loans have been made. The two major reasons for this sad state of affairs are: (1) The requirement expressly excluding "taxation" as a source of revenue in connection with proposed municipal projects, and (2) the high interest rates charged.

A very intensive study showed that there were few projects which could qualify under the definition written into

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[1] An analysis of this section of the Act may be found in "Federal Loans to Cities for Self-Liquidating Projects," published by the American Municipal Association.

[2] On November 4, the R. F. C. requested the American Municipal Association through the state leagues of municipalities to coöperate in the promotion of municipal applications.

the law. As is well known, a portion of the cost of operating a municipal water utility (that portion devoted to fire protection) is properly chargeable to general taxation. Sewerage service throughout the country is not generally on a charge or rental basis. And where it was found that a project might legally qualify, the high interest rates usually deterred the filing of an application.

Indicative of this situation it may be pointed out that up to March 1 of this year but forty-one loans to municipalities were approved. The volume of employment resulting from such loans was almost negligible.

All of the above points were brought out before the several Senate committees in January and February when Senator Wagner of New York endeavored to secure an amendment to the Act eliminating the self-liquidating restriction. As a result of these hearings and the evidence presented, the Senate approved the Wagner bill which authorized the R. F. C. to make loans on all projects "needful and in the public interest." If the House had acted on the measure, many municipalities would have been able to secure loans on sound projects, thus giving employment to considerable numbers of persons.

As this is being written, Senator Wagner has again introduced his bill and it is highly probable that favorable action on it will be taken. Unless the law is changed along the lines of the Wagner bill, the Act will be of little real benefit to most municipalities.

While I do not subscribe entirely to their view, several members of Congress have attributed the failure of the Act to be of great assistance in the emergency to unsympathetic administration by the Corporation board. While the board has been conservative in all of its actions it nevertheless had to contend with a very limiting definition which all but rendered the Act useless.

MUNICIPAL FINANCE

Entirely aside from the relief and employment matters, however, are definite proposals by which the federal government could be of material assistance to municipalities in serious financial difficulties. The general condition facing some of the larger cities was effectively stated by Mayor Frank Murphy of Detroit at the Conference of Mayors in Washington on February 17. At that time, he said:

"Perhaps never before in the history of the nation has the problem of the cities been as distressing as at present. . . . The present crisis, as it has continued, and in its prolonged status today, finds our economic enterprises of municipal government seriously impaired; finds our social amelioration programs threatened, and, finally, it finds today the very structure of the municipal governments themselves seriously weakened. . . .

"The present situation finds four factors looming up above all the others to make the distress a problem that we have to face.

"The first of these is the enormous debt question of the cities. These are debts that were contracted at a time when the dollar was of quite a different value than it is today. These are debts of the overexpansion period.

"The overexpansion and the difference in the value of the dollar are not due exactly to local conditions, and this first factor we see at once has its serious national aspect. It is not just a local problem.

"Second, we have the distressing and increasing tax delinquency problem, and the tax delinquencies are not due especially to local conditions. The tax delinquency problem that we are forced to meet is due likewise to international and largely national conditions.

"Thirdly, we have the welfare problem. The welfare problem is a reflection of the overexpansion and of the general depression. Because of its prolonged status, it is now moving on into a stage of rehabilitation and reconstruction. Here again we find the resources of municipalities exhausted, due to their efforts to meet the problem that is becoming daily more and more a national problem.

"Finally, we have the cities limited by legal restrictions as far as tax revenues are concerned, and other limitations placed upon municipal corporations by charter and by state constitution.

"The more we inquire into our present problems and properly measure and appraise them, we see that they are more and more, so far as their solution is concerned, moving into the national picture.

"No doubt many of you are in somewhat the same status that the city of Detroit is in at present. We have exercised every economy. We have stripped our government right down to the fundamentals.

"When it comes to the point where our municipal corporations are obliged to consume nearly 70 per cent of their tax income to go to debt service, it reaches a proportion where the taxpayer will insist, where he will not permit that much of his tax dollar to constantly go to the payment of obligations contracted during a time when values were quite different from the values of today.

"It is in the minds of many of us that the Reconstruction Finance Corporation Act should first be liberalized to make possible the purchase of refunding bonds of municipal corporations, and, second, that it be liberalized to lift the restrictions around it at present keeping the Reconstruction Finance Corporation from assisting municipal utilities."

As a result of this meeting, at which mayors and other official representatives of approximately fifty of the largest American cities were present, resolutions calling upon Congress to take action were presented by a committee of the mayors to the Senate Committee on Banking and Currency. Briefly, these resolutions suggested that cities be placed on a par with banks, insurance companies and railroads with reference to the extension of federal credit through the Reconstruction Finance Corporation, and that the Corporation be authorized to purchase municipal refunding bonds, tax anticipation warrants, delinquent tax obligations and other sound evidences of municipal indebtedness. So far nothing has been done by the administration or Congress in this connection. Washington, however, is cognizant of the distressing conditions in many municipalities, and it would not, therefore, be surprising if some action of the above character did materialize.

While the extension of federal credit would be of tremendous assistance to a large block of cities, additional legislation is needed for those units now in default (including, it is estimated, 1,000 municipalities over 1,000 in population) and those which will inevitably have to default within the near future. Two general bills have been presented and considered by Congress dealing with this problem. The first of these is a general debt moratorium bill for insolvent municipal corporations, constituting an amendment to the present bankruptcy statutes. This was proposed by Mayor Murphy of Detroit and was embodied in the Norris-McLeod bill reported out by both the Senate and House Judiciary Committees at the last session. While no action was taken at that time, the measures have again been introduced. Readers should refer to the bill for its detailed features.

A second proposal also introduced at the last session and again reintroduced at the current special session is designed to be of importance to defaulted cities by authorizing special composition proceedings under which cities, with the consent of two-thirds of the creditors may secure extensions or adjustments of defaulted or maturing obligations. This bill would eliminate the plague of writs of mandamus which have been issued by the courts as the result of actions by minority bondholders who refuse to accept any compromise plan. These court actions have practically prevented any final agreements between Florida cities and their creditors.

While limitations of space prevent any discussions of these measures it is apparent that some legal and orderly

method should be provided to meet the chaotic default situation now existing.[3]

MISCELLANEOUS

I have indicated in the preceding paragraphs some of the important proposals in the field of municipal finance which have been presented to Congress by municipal officials or their organizations. They do not by any means exhaust the matters falling in this category. As illustrations of the rapidly increasing financial relationship between the federal government and municipalities, it is possible to cite a large number of other problems. These include: (1) proposals to amend the federal aid highway act to eliminate the present restriction on use of federal funds within municipalities; (2) a proposal to amend the federal tax laws in order that exemption of certain municipal agencies may be secured; (3) a proposal to authorize the Federal Reserve Banks to purchase in open market operations certain securities of municipalities; (4) a proposal to permit the postal savings banks (or the Federal Reserve Banks) to act as depositories for municipal funds; (5) a proposal permitting the Federal Reserve Banks to rediscount certain municipal obligations; (6) a proposal for the issuance of currency backed by municipal bonds, and several others. These have not as yet, however, gained the public attention or support to such an extent as the other subjects discussed.

THE RUSH TOWARD A SALES TAX

(Continued from page 173)

that the retailers will feel that they are losing little or nothing thereby, and the burden of urging its removal will in that case rest upon the inarticulate mass of low-wage consumers. On the other side will be ranged all those subject to other taxes which could be eliminated or lowered if the sales tax were retained. Furthermore, even if the sales tax can be repealed after a short time, the expense of setting up new tax machinery and the various undesired effects resulting in the readjustment period seem a high price to pay for a temporary source of revenue. Finally, it appears to be somewhat of a waste of effort to pay out unemployment relief with one hand and to take part of it back with the other, through a sales tax.

OTHER SOURCES OF REVENUE

To what other sources the states will turn if they do not use the sales tax is a question shortly to be answered, as most of the legislatures now in session will probably adjourn before many weeks are past. If, however, the money can be obtained by the sales tax, *it can likewise be obtained by other levies.* The possibilities of the income tax, for instance, with extremely low exemptions and fairly high rates, and with collection at the source if necessary, have been only faintly explored in this country. Obviously the distribution of burden under such a plan would differ from that under a sales tax. Space does not here permit a discussion of other possibilities, but it should be noted that from a long-term point of view there is hope that the income tax may be made a more stable source of revenue through the creation of reserve funds with a mechanism somewhat like that developed in the 1932 report of the New York State Commission for the Revision of the Tax Laws. Adjustment in the present crisis is indeed urgent; but underneath all this there is being fought out an issue which is in a way more fundamental, for, granted that better times are to come, this issue is one of conflicting philosophies as to the requisites of a desirable tax system.

[3]Information regarding all of the proposals indicated, may be found in the pamphlet by the writer entitled "Municipal Finance Problems and Proposals for Federal Legislation," published by the American Municipal Association.

State Codes For Local Budgeting

Efforts to prescribe requirements for local units of government of thirty-two states vary widely as to adequacy

WYLIE KILPATRICK

Washington, D. C.

THE budgetary movement has made a definite imprint upon the state statutes governing local budgets in approximately half of the states. Thirty-two states require local budgets for one or more types of local units.[1] Of this number, the requirement is applicable to counties in 28 states, four being partial in application, and to municipalities in 26 states, seven being incomplete in application. Prescription of a local budget in both counties and municipalities is confined to 17 states. Administrative supervision is linked to budget codes in 20 states which impose upon the state agency supervising local finance the duty of prescribing local budget forms, but in 12 states the forms are utilized only for one unit, as the county, or are partial in character for other reasons. If the test of acceptance of the budget is a law applicable both to counties and municipalities with forms prescribed by a state agency, only 10 states comply.

[1]Counties only, Alabama, California, Florida, Idaho, Kentucky, South Dakota. Municipalities only, Connecticut, Massachusetts, New Hampshire, Rhode Island, (partial). Both, Arizona, Indiana, Iowa, Kansas, Mississippi, Montana, Nevada (partial), New Jersey, New Mexico, New York (partial), North Carolina, North Dakota, Ohio, Oklahoma (partial), Oregon, Texas, Utah, Virginia, Washington, West Virginia (partial), Wisconsin (partial), Wyoming (partial).

FRAGMENTARY CHARACTER OF ACTS

A difficulty in measuring the extent of the acceptance of the budget in state codes is the fragmentary character of the acts in reference to the units of which the budget is required and the funds to which it is applied. Indeed a major question facing writers of budget statutes is whether a single state act should prescribe the budget procedure of all types of local government or separate acts should govern each type. The question has been answered in curiously different manners. One group of states specifies local budget procedures, often varying materially, for each type of locality in separate acts; other states enact a comprehensive act governing all districts; and others by a piecemeal process pass successive laws relative to each type as maladministration is forced upon the attention of the lawmakers. One of the best conceived acts is the county law of North Carolina which, at the same time, omits many of the better provisions in the municipal act. The earliest state act for cities, the 1913 law of Massachusetts, was not accompanied by an act for towns, which are over eight times as numerous in the state, until 1929. Unmistakably, the device of adapting the budget to different units in a single act is superior to the piecemeal adoption of separate acts

for separate units, a method which results in important omissions in the application of budget standards.

Different local tax bodies within the same locality often escape budget regulation because of their semi-independent status. The school district, it is true, is normally so completely independent that separate regulation in the budget code is a prerequisite to school budgeting. Other districts, as parks, libraries, or utilities, may be required to submit budget estimates to the local governing body for review and incorporation into an inclusive budget. Similarly where a unit, as the county, is divided into road, school, or other districts, the budgets of districts may be viewed as subsidiary estimates for final determination by the county board and incorporation into its budget. The earlier local budget acts passed by states were restricted in application to current funds of municipalities. The majority of more recent acts direct the inclusion of bond receipts. Desultory attention has been given to other expenses or receipts, as miscellaneous, license, or fee receipts, special assessments, utility operations, and special funds, which readily may escape inclusion in the budget. The widening of the budget to mark out a fiscal plan for all operations carries with it the corollary that all income, however derived, and all expenditures, however spent, must be contained in the budget regardless of previous regulations.

CAPITAL IMPROVEMENT PROGRAM

The inclusion of bond receipts and improvement expenses in the budget is the first step towards capital budgeting but is far short of what should be required. The budget code would do well to provide explicitly for the drafting of a program of capital outlays covering a period of at least five years. The assembling of the data, showing itemized improvements correlated to all revenue sources, would be a measurable advance. No state statute contemplates long-time budgeting; and, consequently, the allied measures for its administration are lacking. These call for the legal recognition of another period than the year for financing improvements, a secondary budget period of five years during which the improvement budget would be operative. Advisably although not necessarily, the budget code should authorize localities in their discretion to adopt capital improvement tax levies to finance all the cost, or more likely a portion of the cost, of the improvements. Such a levy, distinct from special fund levies, would assure stability to the program while it is being consummated.

PREPARATION OF BUDGET

The requirement, at once most vital and most frequent, is the specification of a budget-preparing agency in the form of a finance office or in the person of an officer charged with the responsibility of drafting the budget for submission to the governing body. Cities afford the local unit for which most readily a preparing officer may be designated in the office of mayor, manager, or commissioner of finance. By reason of its decentralized organization, the county presents the most perplexing question. North Carolina solves the problem by instituting a new officer, the county accountant, and other states designate the county auditor. The state codes are coming to vest in the preparing officer the power to assemble data, conduct investigations, and coördinate the estimates into a balanced document. The customary formula in the laws for preparation is that the estimates must show past, current, and future revenue and expenditure by departments or objects. In place of these general requirements, a few states are requiring more exact and illuminating data for budget preparation. Accordingly, the codes are beginning to show specifications for in-

formation relative to road and bridge construction, salaries and wages, capital outlays by objects, debt requirements by bond issues, and the use of character and object classifications. The local use of state-prepared schedules obviates the need for extensive detail in the statute, outlining all the data which must be submitted, but it does not eliminate the need for a statutory prescription of the types of data which must be filed by each agency with the budget-preparing office.

Budget codes often err in one or more of four aspects. The act may omit entirely the designation of a budget-preparing officer. The act may be vague in calling for a budget officer without designating him in accordance with the existing structure. The act may specify the budget officer but fail to clothe him with authority for controlling the preparing process during the stages of assembling of data, estimation, and reporting. Finally, the act may neglect to specify the types of data which must be reported.

BUDGET REPORTS

The subdivision of departmental estimates into precise units of activities, often identical with the bureaus composing the departments, should find acceptance as a marked advance which leads into an analysis of the services or work performed. That is, functions are susceptible of being resolved into units, each corresponding to an activity, branch, or bureau of the department which affords a surer means for budget classification than the usual estimates. The state code should not refrain from requiring a classification by units of functional activity. Classification by activities affords the framework upon which to organize the budget estimates and to report the conduct of budget administration. For the significant point, almost always obscured, is that the estimate for the future budget should be integral with the report of the past services. The two become part of a single document which may be submitted immediately after the close of the fiscal year. Immediately practical is the statutory prescription of budget estimates, or service reports in the form of statements from each department, showing (1) functional work by units of activities in terms of dollars and cents required for past and prospective services, (2) functional work by activity units in terms of the volume of work rendered and to be undertaken, (3) the computation ultimately of unit costs for the functions best adapted to a statement of their financing in unit costs, and (4) a narrative explanation of the functions performed during the past and coming years. Thus the budget would be submitted in the form of a series of service reports from each department, as well as a comprehensive summary for the entire city, analyzing in both a statistical and narrative manner the conduct of past administration and planning for future services and their financing.

The preparation of these annual service reports will be facilitated and an instrument for control of the budget furnished by periodic or monthly reports submitted by each agency to the budget officer. Preferably each chief of an agency should be required to file a comprehensive monthly report, not restricted to current financing but inclusive of services, which would furnish the data for the ready compilation of annual service reports at the end of the year for use in preparing the next budget. These ends can be accomplished by statutory specifications, (1) for the requirement of annual service reports used for budget estimates, and of monthly service reports; (2) for the scope and content of the reports, avoiding statutory detail when a state supervisory agency exists; (3) for the local publication of the annual report-budget and

for making available the monthly reports; and (4) for the filing of the reports with the state, using a common terminology which would permit a comparative analysis of statistics.

PUBLIC CONSULTATION AND TAXPAYERS' APPEALS

The publication of the service report-budgets, whether in pamphlet form or in newspapers, would further public knowledge and discussion to an extent far greater than the accountant's analysis of income and outgo. Adequate budget reporting is the first step toward the dual aim of public participation and effective administrative control which will be furthered, secondly, by provision for ready taxpayers' appeals for the investigation of the budget or any other pending fiscal problem. Upon the petition of a group of taxpayers, the mayor or other authority would be authorized to name an investigating commission to study and clarify the issues, conduct hearings, and to report back its findings before final decision is reached.

With the investigating commission as an emergency measure to be invoked upon need, a companion measure would be to provide for regular citizens' councils which recurrently would collaborate in the preparation and review of the budget and other projects in presenting the lay viewpoint as to the necessity, extent, and cost of alternative courses of action. Finally, the budget code may vest in the local officials and in taxpayers upon petition the right of requesting surveys and studies of local functional performance and costs by members of state departmental staffs whose specialization equips them for giving technical advice which many municipalities cannot readily obtain. Each of these measures for budgetary control has received so scant a recognition in state statutes that even states with so-called advanced codes are under a compulsion to reformulate their budget laws.

PROCEDURE DIFFICULTIES

A number of difficulties impede smooth operation, of which the failure in codes to control surpluses and deficits prevents the budget from readjusting and correcting the condition of the municipality at the beginning of each year. In fact, the failure is widespread in not unmistakably defining what is a surplus or a deficit. In order to prevent the appropriation of fictitious assets, the surplus available for appropriation should be either a cash surplus or a surplus of assets whose realization within the year is a certainty. Accordingly, surplus would be defined to mean unexpended balances above obligations and revenues in excess of budget estimates minus unpaid taxes more than one year in arrears and any other receivables not due within the year.

With a cash budget as an objective, a discernible effort is being made to avoid borrowing in anticipation of taxes by regulating temporary notes and synchronizing the budget and the tax calendar of dates of tax collection. Whether much of the effort is well directed is doubtful. Instead of elaborate moves to change the tax calendar so that the collecting dates are advanced to an early stage, a simpler reform, quite worth while in itself is to institute installment payment of taxes, at least on a quarterly basis. Anticipatory borrowing would be reduced to an unimportant minimum by installment payment which is desirable to ease the burden of taxpayers. While a number of states restrain temporary borrowing, the regulations usually are lax. No single formula is more than a workable rule which might authorize temporary notes up to one-half of the actual receipts of the previous year, repayment being obligatory before the end of the year.

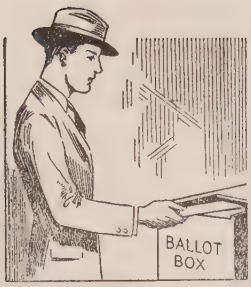
Tax deficiency notes constitute a per-

plexing question, even in a prosperous period, which is intensified during a depression when unpaid taxes represent inability rather than unwillingness to pay. A serious mistake is made by proposals to defer unduly the length of time for the payment of back taxes and the redemption of delinquency notes which would tend to break down tax collection machinery. The procedure should require payment of the notes as soon as possible, as within two or three years after issuance, with any notes representing uncollectible assets to be offset by a budget appropriation. With the funding of deficits prohibited legally as a normal rule, the exception would be made of permitting funding of deficits and notes for uncollectible revenues, sanctioned either by a designated court or state agency supervising local finance. Accordingly, the enforcement of prompt payment, seemingly suitable for only a prosperous period, can and should be maintained at all times if supervised exceptions are allowed to ease the strain of unusual circumstances.

A desultory body of law has been developed to meet emergencies which, successful for contingencies and transfers, has failed to provide, on the revenue side, for uncollected taxes and, on the expenditure side, for legitimate expenses not budgeted at the time the estimates were ratified. Without question the budget code should provide for the local establishment of a tax collection emergency fund to offset uncollectible and abated taxes. Several laws specify that the fund shall equal 5 per cent of the total taxes levied, an arbitrary figure unsuited for uniform application every year in all districts. Preferably the formula should be based upon the immediate situation in the particular district by requiring that the appropriation equal the average of the amounts of the last three years' taxes abated and written off the books. Rigorous budgeting necessitates a safety valve for emergency spending for purposes deemed essential but not in the budget. The issuance of one-year emergency notes may be legalized and be made subject to a procedure involving a public hearing, unanimous consent of the governing body, and the right of appeal to a court of competent jurisdiction or to a state supervisory agency to stop their issuance.

PRESCRIPTION OF BUDGET FORMS

Nineteen states vest in the state supervisory agency the duty of prescribing local budget forms, although in eleven states the power is partial in referring solely to counties or is recommendatory. Here the state's function is chiefly educational and a danger exists that in mandatory prescription of forms the state will take the lowest common denominator and prescribe forms not adapted to advancing budgeting. The paramount need is for the use of superior budget methods through coordinate or supplementary schedules which govern the factors upon which finance rests, personnel, debt service, capital improvement programs, material, overhead, and functional performance. The state agency will perform better service in promoting the introduction of advanced budgeting than in insisting upon a common use of elementary forms. At the same time the code can authorize the supervisory agency to require adherence to a minimum standard by approving the local forms before their use. By this means the lack of progress in failing to evoke superior budget technique, as the neglect of the quarterly allotment plan as well as of supplementary schedules, can be overcome by educational methods in conjunction with local initiative.



PROPORTIONAL REPRESENTATION

EDITED BY GEORGE H. HALLETT, JR.

Continuing the Proportional Representation Review

Presidential Amendment Reported Out.—For the first time Congressman Clarence F. Lea's constitutional amendment to apply the principle of proportional representation to the electoral college has been reported favorably from committee. In the closing hours of the seventy-second Congress Representative Lozier of Missouri submitted an extensive report[1] from the House Committee on Election of President, Vice President, and Representatives in Congress recommending that House Joint Resolution 60 "as amended do pass." This puts the resolution in a favorable position for the present Congress, in which the party of which Mr. Lea is a prominent member is in undisputed control.

The Lea amendment, which has often been referred to in the columns of the *Proportional Representation Review*,[2] is summarized in the report as follows:

"1. It would abolish the electoral college system and substitute therefor a direct vote for the election of president and vice president.

"2. The relative strength of the states in the election of a president would be retained as at present by preserving state electoral votes for each state equal to the whole number of its senators and representatives.

"3. Each candidate for president would receive such proportion of the electoral votes of the state as he received of the total popular vote therein.

"4. The candidate having the greatest number of electoral votes would be elected."

Under such a plan the electoral vote would obviously approximate the popular vote and make much less likely the election of a president with less popular support than his principal rival, which has happened on three different occasions. A direct popular vote disregarding state lines is rejected as impracticable because it could be blocked indefinitely by the small states which now have more than their share of voting power in the electoral college.

The report draws liberally on a mass of convincing evidence presented by Mr. Lea at a hearing before the committee on February 16, at which C. G. Hoag and William C. Lee also spoke on behalf of the Proportional Representation League.[3] A few of the more important advantages of the proposal are summarized in the concluding paragraphs:

"The present system of electing a president is depressing upon public interest in the problems of the country; it tends to promote indifference; and the unit vote places a premium on fraud and corruption in presidential elections. The unit vote concentrates political efforts in a few doubtful states. For instance, in the election of 1884, Cleveland carried New York by less than 1,200 votes. That meant 35 electoral votes; or, taking 35 from one side and giving it to the other, would make a difference of 70. Less than 1,200 people of the state of New York dominated the election. The electoral vote of New York then equaled the total vote of nine states, and these 1,200 people in New York had as much

[1]72nd Congress, 2nd Session, House of Representatives Report No. 2194, March 2, 1933.

[2]See the issues for April and October 1928, April 1930, July 1931, and April 1932.

[3]Copies of the evidence presented at this hearing and the committee's report may be obtained by writing to Hon. Clarence F. Lea, House of Representatives Office Building, Washington, D. C.

Contrary to the opinion of most students, the Board rejects gross weight as a desirable measure for registration taxes (p. 16) and suggests that "The measure of a license tax would be more adequate if based upon the method of distributing the wheel load and the consequent stress produced upon the road. The factors that would be involved in such a measure . . . . are rear wheel load, impact force, size of tire, area of contact of tire with road, and slab design of road" (p. 20). The suggestion that the license tax should vary with the design of the road might well be expected to induce a smile of derision on the face of the skeptical administrator. When the discussion is turned to the problems of administration as such, however, emphasis is wisely placed on the integration of all tax administration, so that whoever is charged with enforcing other tax measures will also have charge of the motor registration tax.

Discussion of the motor fuels tax is entirely routine in character, though the Board has brought together valuable statistical information which is incorporated in Tables 23 to 37 inclusive. In the subdivision dealing with diversion of motor fuels tax receipts to non-highway uses, utilization of revenues for streets is erroneously treated as a diversion to other than highway purposes.

Much of the chapter, "Problems of Highway Finance," is given over to summarizing the report of the Interstate Commerce Commission on the "Coördination of Motor Transportation" (Docket 23400, 1932). Then, after stating the point of view of various associations respecting highway taxation, some attention is given to such problems as the use of revenues by cities, to distribution of taxation between various classes of motorists, and to fiscal results of motor taxes compared with total rural highway income. In considering the last point, no distinction is made between revenue and non-revenue receipts (p. 173). At page 154, there is a misleading implication that the public may regulate all motorists respecting "rates, charges, practices, services" and other matters of similar import.

Most of the forty-odd tables incorporated [illegible] the ends of chapters are useful; but, in [illegible]ne instances, credit is inadequately as[illegible]ed. It might be said in criticism of cer[illegible] parts of the volume that dependence has [illegible]t placed on secondary sources, even when primary data were readily accessible. This is true in particular of the surveys of transportation made with the coöperation of the bureau of public roads. The lack of an index would be a more serious shortcoming but for the adequate analytical table of contents and the list of tables at the beginning of the volume.

James W. Martin.
University of Kentucky.

*

Fifty Years of Boston—A Memorial Volume, Issued in Commemoration of the Tercentenary of 1930.—Compiled by the Subcommittee on Memorial History of the Boston Tercentenary Committee, 1932. Boston, Mass., Goodspeed's Book Shop. 799 pp. $5.00.

It has been said that New England has exercised a disproportionate influence in the affairs of the American nation because New Englanders were the chief historians in earlier days. People can hardly be blamed, however, for seeking the better histories rather than the worse, and certainly Bostonians would be expected to follow the model history of the type when the time came to prepare a memorial volume on the last fifty years in Boston's life.

It is consequently a pleasure to learn in the foreword that this volume was planned and written as a sequel to Justin Winsor's "Memorial History of Boston, 1630-1880." The plan was executed in a manner worthy of Winsor under the leadership of a committee who know Boston and its people and take pride in its fine traditions and sturdy spirit, and with another scholar of taste and ability as editorial adviser in the person of William A. Leahy.

It has been difficult for one interested in the history of Boston to obtain any good perspective on the development of the city since 1880. This difficulty is now removed. The student can read this volume and then proceed to specialize on any particular topic confident that the background has been filled in so well that he will have a proper sense of proportion.

Some of the changes in the manner of approaching problems and in their nature during the past half century can be glimpsed in the contrast between the titles of corresponding

chapters in Winsor's last volume and the present book. "Topography and Landmarks of the Last Hundred Years" in 1880, becomes "The Planning of a City." "The Canal and Railroad Enterprise of Boston" of the earlier day is divided into three parts—"The Railroads," "Rapid Transit Problems and Solutions," and "Aviation."

Due recognition is given also to the growth of the fine arts, sciences and professions in this prolific centre of American culture. Those who fear Americans make slow progress in cultural matters would do well to compare the part of this new volume devoted to such topics with the corresponding chapters in Winsor's history and take heart from the record revealed.

Memorial histories are all too often as dull as the dictionary. This may be because too often there is little to tell. In this case not only is there much to tell, but it is well told.

George H. McCaffrey.

New York City.

*

Taxation in Minnesota.—By Roy G. Blakey and Associates. Minneapolis, University of Minnesota Press, 1932. 627 pp. $2 cloth, $1 paper.

Assuming that a sound tax system requires a wide understanding of basic tax facts and principles, Professor Blakey offers to those interested in Minnesota taxes the results of exhaustive study on the major current problems, especially the burden of real estate taxes and its related factors. Attention is given, therefore, to farmers' debts, income and taxation; urban assessments and tax burdens; the administration of the personal property tax; tax delinquency and the cut-over land problem; the taxation of forest property, iron ore and mining, banks, railroads and other public utilities; highway finance and public school finance. Although the income tax is not offered as the single solution, considerable emphasis is put on its administration and effects in Minnesota. Data are also given on sales taxes and possible returns from this source as well as from increases in inheritance and estate taxes. The wealth of important factual material, presented in tables, maps, and other graphic forms as well as through the text, are too comprehensive to warrant brief reviewing. The volume will prove of inestimable interest and value in the nation-wide effort to revise tax schedules along the lines of sound principles and proven experience.

*

Our Lawless Police.—By Ernest Jerome Hopkins. New York City, The Viking Press, 1931. 379 pp. $3.00.

From his experiences as investigator on police matters for the Wickersham Committee, Mr. Hopkins obtained the material for this popular presentation of the "third degree" methods of the American police departments. The title suggests the propagandic nature of this study—it is written for the edification of those who wish to believe that the American police departments are the only extant survival of the Spanish inquisition. This large group overlooks the fact that police departments, hedged about by silly laws, are always trying to protect an unappreciative society from those who profit from a war against it.

Mr. Hopkins' greatest contribution is his clear statement of the legal fiction which we call a confession. No person, even below average intelligence, willingly, without fear or the promise of reward, confesses to a crime which will inevitably mean a prison sentence. Justice Brandeis is quoted: "A confession is voluntary in law if, and only if, it was in fact voluntarily made." And yet our courts must assume that every confession is given willingly and without promise of reward or fear of punishment.

It is hoped that the facts quoted by Mr. Hopkins for other cities fared better than those quoted for Detroit. Mr. Hopkins, formerly a newspaper man, dependent, he says, on newspaper reporters, attorneys specializing in criminal cases, and similar sources—which factual base is apparently rather untrustworthy. The errors concerning Detroit are rather numerous and in some cases place an erroneous light upon procedure. For instance, Commissioner William P. Rutledge, for thirty-three years a member of the Detroit department, is the same person who this book believes is Frank T. Rutledge, a member of the department for twelve years. Page 140 tells the story of a citizen of "high standing" who was the victim of a tip-over raid. Later, newspaper stories indicated that

the standing of this citizen was regarded as "high" only by those with an extensive thirst. The Loop is not the vicious instrument of torture that Mr. Hopkins pictures, but is a crime deterrent useful in allowing police officers to make the acquaintance of young men who live solely by their wits. These are but some of the errors into which Mr. Hopkins has fallen.

Modern police departments under the leadership of intelligent and progressive police chiefs are not using third degree methods to the extent this book would imply. It must be remembered that police departments in America, as compared with European departments, do not have unlimited funds for the investigation of all crime.

Our Lawless Police is a fine popular presentation of the third degree methods with none of the horrors excluded. A person reading this book, however, should realize that the police are not wholly bad and that this book presents perhaps the worst phase of police methods—there are many bright high-lights in police work which Mr. Hopkins has overlooked.

J. M. Leonard.
Detroit Bureau of Governmental Research.

*

Mechanical Office Equipment in the Municipalities of New York State.—By C. F. Humphry Saunders. Albany, New York State Conference of Mayors and Other Municipal Officials, 1933. 43 pp.

That marked economy may be promptly effected by the use of mechanical office equipment is a generally recognized fact. Less well known are the variety of uses to which mechanical equipment may be put in municipal offices and the extent to which it is so used. Mr. Saunders under the joint auspices of the Bureaus of Training and Research and Municipal Information of the New York Conference of Mayors and Other Municipal Officials and the School of Citizenship and Public Affairs of Syracuse University, has made a useful contribution to the subject. The equipment suitable to municipal use is classified as computing, accounting and statistical, duplicating, check protecting, dictating and miscellaneous. The separate items in each group are carefully described. Not the least interesting feature of the description is the estimated cost per month, on the basis of the average of list prices of different companies for "comparable machines, amortized over a period of seven years; power being figured at seven cents per kw. hour and interest at four and one-half per cent." There are also explanations of the routine procedures most susceptible to operation with the aid of machinery, such as accounting and billing for taxes, accounting and billing for water charges, general budgetary accounting, departmental accounting and municipal record keeping. Mechanical office equipment is installed in but relatively few municipalities of the state, on the whole, and its most widespread use is in connection with water bills. Once a department secures equipment of this sort, it apparently guards it closely for there seems to be very little of the interdepartmental coöperation which would assure its maximum use. A few of the best known examples of the savings effected through the use of such devices are quoted and should offer a ray of light to the harassed administrator searching for ways to cut expenditures. Mr. Saunders claims also that the use of mechanical equipment offers additional advantage in that it increases the administrative control of the municipal executive.

*

Problems of Arkansas Government.—Kenneth O. Warner. Fayetteville, University of Arkansas, 1932. 59 pp. 50 cents.

As one of the regular bulletins in its general extension service, the University of Arkansas presents this study of eight major problems in Arkansas. In addition to Dr. Warner of the department of history and political science, other members of the faculty have contributed in connection with problems of their particular interest; Dr. Claude Brannen on county government, Dr. Charles Fichtner on banking, Dr. Charles Prall on control of the common schools, and Dr. George Vaughan on finance and taxation. Dr. Warner's chapters deal with centralization and home rule, popular legislation, reorganization of the state government, and a governmental program for the state. Other problems, some of major interest in a state such as Arkansas particularly, such as improvement tax districts, highway administration, tax delinquency, and the problems of town and city administration, have been recognized, but relegated to future study.

NOTES AND EVENTS

An Illinois Constitutional Convention This Year—or in 1935?—The inaugural address of Governor Horner of Illinois recommended the calling of a convention to redraft the state constitution at the earliest possible date. The present constitution provides that a resolution for a constitutional convention, if adopted by the general assembly, shall be submitted to the electors at the next "general election." A state-wide judicial election is to be held on the first Monday in June of this year, and if the question can be submitted then and is approved, a convention may possibly be held this year. Otherwise the next opportunity for such submission will be November, 1934, with a convention possible only in the following year.

The attorney-general of Illinois has expressed the opinion that the election this coming June is not a general election within the meaning of the constitution. The point, however, has not been passed upon by the State Supreme Court. Professor Walter F. Dodd takes the view, after consulting related cases and portions of the law, that the June election can properly be considered to be general. He urges that the legislature act without delay, so that the question can be submitted to the April term of the Supreme Court for final determination.

*

Drastic Simplification Proposed in Vermont.—State Auditor of Accounts Benjamin Gates, speaking at Vermont's fifth biennial Institute of Municipal and State Affairs, suggested a fundamental reorganization of the government of Vermont. This Institute, held under the auspices of Norwich University and conducted by Professor K. R. B. Flint, took place at the State House in Montpelier early in the current year.

Under the Gates proposal the only elected officials would be the governor, the secretary of state, and the attorney general. All other officials would be appointed by the governor. All fiscal matters would be placed in charge of a controller, eliminating the offices of commissioner of finance, treasurer, auditor, tax commissioner, purchasing agent and motor vehicle commissioner. Six judicial districts with a resident judge and reporter in each would be created making it unnecessary to have courthouses in each of the present fourteen counties of the state. The courts would be open throughout the year. Sheriffs, state attorneys, game wardens, motor vehicle inspectors, enforcement probation officers, and fire wardens would be superseded by four assistants to the attorney-general and a state police force. Towns and cities would be consolidated to form from eighty to ninety municipalities instead of 248 as at present. There would be a smaller House of Representatives and no Senate.

*

Arizona Considers Consolidation of Departments.—A state reorganization has been proposed for Arizona involving the consolidation of eighty-eight commissions, boards and offices into eleven departments. The governor would become a real chief executive, the attorney-general and superintendent of public instruction being the only other officers that would be elected. As this represents a distinct change from tradition, it has excited much interest.

Arizona heretofore has largely depended for its state revenues upon mine taxes, but, as the mines are inoperative, the state revenue problem has become acute. This has been reflected both in economy measures, including the reorganization proposal, and in the introduction of bills for such revenue measures as taxes on sales, incomes and intangibles.

Nevada Looks at Its Finances.—Governor Fred Balzar has suggested to the legislature of Nevada the imposition of special sales taxes and a tax on insurance premiums, as well as various economy measures, significant among which are a provision for larger units of school administration. Another economy suggestion has been county consolidation which, however, is faced with the obstacles not only of local interests but the fact that distances in Nevada counties are already great, one county of 1,300 people having 7,000 square miles and another of 3,000 people having 17,000 square miles.

*

Executive Concentration Suggested in New Hampshire.—A thoroughgoing report on the executive and administrative operations of the state of New Hampshire and its ten counties and 228 towns has recently been submitted by the Institute for Government Research of the Brookings Institution, as the result of a survey brought about by Governor Winant. The investigation was financed equally by the state treasury and the Spelman Fund of the Rockefeller Foundation.

Financial exigencies have added greatly to the timeliness of the report. The leading recommendation is stated to be consolidation of the fifty-two small independent units into sixteen departments. An executive department would be created, headed by the governor and including the present departments of the secretary of state, the attorney-general, the controller and the purchasing agent. The governor would be a general manager and would also be expected to exercise political leadership and act as public spokesman for the government, but would be relieved from *ex-officio* appointments and a multitude of details. He would have general appointive power and likewise power to remove at will. Department heads, whose terms would not be fixed and whose salaries would be established by the budget rather than by statutory requirements, would have sole control of their subordinates, subject to civil service requirements and general laws. The present executive council would be made an advisory body without official power over the governor's acts.

It is suggested that instead of eight county officers, elected as at present, the only county officials to be chosen by the people would be three commissioners, the other officers to be appointed. The fee system as a means of official remuneration would be abolished. The county solicitor or attorney would be appointed by the state attorney-general, thus centralizing law enforcement.

As to the towns, it is proposed that the town meeting be kept much as at present but it is recommended that all towns adopt the budget commission system with the town moderator as chairman. The town treasurer would be appointed by the selectmen without term and removable only for cause.

*

New Constitution Before North Carolina Legislature.—A complete revision of the constitution of North Carolina, the only southern state that has not revised its constitution since reconstruction days, is under consideration by the legislature. It is the work of a commission headed by Chief Justice W. P. Stacy of the North Carolina Supreme Court, and has been favorably acted upon by the committee on constitutional amendments.

Among the changes contained in the document reported by the commission are the granting to the governor of the right of veto (but not the pocket veto), a provision for the executive budget, and removal of limitations upon the taxing power of the legislature. Debt limitation takes the form of restricting the incurrence of new debt to two-thirds of the amount by which the debt of the state shall have been reduced during the preceding biennium, unless such new issues are approved by majority vote of the people. State supervision of local finances is provided for. Organization and government of counties, cities and towns is to be by general laws only, with optional forms permitted.

*

Municipal Finance Officers Meeting.—The annual conference of the Municipal Finance Officers' Association will be held in Cincinnati, June 13-15. An excellent program, participated in by several men of national prominence, has been practically completed, the chief subjects being municipal debts, the relation of federal, state and local taxation, tax collections, accounting and unemployment relief. Carl H. Chatters, 850 East 58 Street, Chicago, is executive director.

CITIZENS' COUNCILS FOR CONSTRUCTIVE ECONOMY

(Continued from page 158)

2. What are the comparable facts about libraries, museums, playgrounds, parks, public health and sanitation, relief, welfare, hospitals, police and fire departments, streets and roads, other city departments, city planning, and municipal adminstration? (Include non-governmental public services such as relief, welfare, local college, etc.)

3. How do the total per capita expenditures and the per capita expenditures for each activity, compare with those in other cities? How can you account for the variations? More or less service? Better or poorer service? Wasteful or more efficient operation?

4. How do qualifications for positions and salaries paid in the several departments compare with each other and with those of other cities?

5. What are the budget estimates for expenditure for each activity? For all activities? How do these figures compare with probable receipts?

B. *How efficient is the administration of these services?*

6. Which of the services (as above) are operated most efficiently? Which are manned by executives and employees chosen strictly on the merit basis? Which have good business administration, budget control, etc.?

7. To what extent are materials, supplies, and equipment for your local government purchased through one central agency?

8. Does your local government have a satisfactory executive budget which actually works, so that a taxpayer may know in advance what the government proposes to spend for a certain activity, can favor or oppose such expenditure before it is authorized, and can be sure that once authorized, the amount of expenditure will not be altered, save as a result of unanticipated shrinkage in revenue?

9. What suggestions can be made for the elimination of waste and the improvement of service, this year or next?

THE LONGER VIEW

10. How many separate governments levy taxes on your property? City, village or town, township, county, special boards, state? Are all these layers needed?

11. How high are tax delinquencies? To what extent is an inefficient system of tax collection responsible?

12. Under what conditions does your local government permit payment of taxes on the installment plan? What are the benefits or the wastes of such a tax collection system?

13. Is the tax year so coördinated with the budget year that it is unnecessary for your local government to pay interest on money borrowed in anticipation of taxes? How much is spent annually for interest on temporary loans? How can such interest payments be avoided?

14. On what basis is property assessed in your community? How wide is the variation in assessments on similar types of property? How much injustice results?

15. To what extent can one person or a small group of persons be held responsible for the efficient administration of all municipal services?

16. How well do semi-public agencies cooperate? How well are they united? To what extent do rivalries cause needless expense?

17. What does the township government cost? What useful purposes does it serve today? What benefits would accrue from having fewer and larger counties?

18. What waste is occasioned by the employment of unfit persons in the public service of your community? What steps can be taken towards the establishment of a merit system of employment?

19. To what extent do existing charter provisions or state laws put barriers in the way of improvement in government in your community? Is more or less home rule desirable for your community? How can you cooperate with other Citizens' Councils in the state to change provisions of the state law or state constitution, so as to provide such home rule as would permit you to improve your local government?

20. To what extent are public works activities in your city and county located and carried out in accordance with a carefully prepared city or regional plan, thus avoiding the wastes inherent in lack of such planning?

21. How can the cost of maintaining the necessary services be more equitably distributed?

METHOD

It is suggested that your Citizens' Council:

(*a*) Invite the heads of the important ac-

tivities to contribute essential facts and opinions.

(*b*) Get for yourselves and for local officials the best advice obtainable from state departments, state institutions, local, state and national organizations and other experts, and intelligent, socially-minded citizens.

(*c*) Compare the services rendered in your community, the costs, and the governmental organization, with the standards and recommendations prepared and published by state departments, national organizations and specialists. Ask the librarian of your public library to assemble for the use of the Citizens' Council useful publications—especially pamphlets and periodical articles.

(*d*) Appoint members of the Citizens' Council to visit special institutions and departments.

(*e*) Urge all institutions and departments to give continuous publicity to their activities.

(*f*) Encourage participation in the investigation by the several coöperating organizations, to the end that each organization may do what it is best qualified to do; and make sure that the facts and expert opinions assembled by each organization and each committee of the Citizens' Council are made available to all the members of all the organizations.

Details will vary. The one essential appears to be that every community have some kind of Citizens' Council, which will speak intelligently, earnestly and forcefully for the preservation of those services which are necessary in a civilized society and point the way to permanent improvement in local government and administration.

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WALTER WEST, *executive secretary,* American Association of Social Workers, New York

IS BUDGET SLASHING IMPERATIVE?

(Continued from page 160)

costly relief problem which must be met. The funds to pay for this must also come from taxation, present or future. If governmental expenditures remained on the basis of 1929 and relief expenditures on the basis of 1932, the resulting tax burden would be one that many communities could not pay even in normal times, much less in times like these when the taxpayers' resources have been so sharply curtailed. Is it not sound and logical that governmental activities that could be curtailed without serious public injury and improvements that could be delayed should be subject to "budget slashing" in order to provide food, fuel, shelter and clothes for those in distress? The utmost "slashing" of non-essentials is certainly less serious than loading a community with a tax burden which it cannot bear.

An alternative to placing the load on the present taxpayer is issuing bonds for improvements and even for carrying the relief load. Granted, that a good case can be made for such action, but again "Where are we going to get the money?" If bonds are to provide funds, they must be sold. Some bonds of some governments can be sold under present conditions but many governmental units cannot sell bonds at all; too many cannot pay the debt service on bonds now outstanding. Even those governmental units that can still sell bonds would quickly find that the present-day investor would strike them off his list if they did not reduce their expenditures and/or embarked on a program of extensive improvements. New York City has learned this lesson.

An extensive program of borrowing, under present conditions would result in quickly drying up the sources of municipal credit that now exist.

To those of us who are working with public credit and who have been exerting all of our ingenuity to devise ways and means for enabling some governments to finance even the most imperative of public activities, Mr. Buttenheim's conclusion is utterly impractical under present conditions. It fails to take into account certain hard and stubborn facts that refuse to be overlooked. We *must* "slash budgets" or smash. It is not a case of doing what we would like to do, but what we must do.

After all, governmental activities were heavily inflated in the period before the crash, just as much inflated as were private activities. They will have to be deflated just as private activities have been. We became used to a governmental scale of living that was far beyond our means. We must get back to earth before it is too late. A return to the governmental expenditure basis of 1920 or even 1910 would not be irreparable disaster. In any case we must bring our expenditures within our means in spite of any theory, philosophy, or logic.

WHERE GOVERNMENT CAN GET THE MONEY

(Continued from page 161)

expenditures on well-planned public works, on the rebuilding of the congested and blighted areas of our cities, and on added facilities for culture and recreation for the masses of the people, we could easily have financed such construction and services from taxation out of our otherwise surplus productive capacity, with hardship to none and happiness for all.

Instead of this rational attack on the problem, we wasted our substance in riotous speculation and in the multiplication of unneeded facilities for competitive manufacture and farming and trade. For the last few years the United States has been suffering from a crisis of plenty and not of dearth.

Now what is the way to get out and stay out of this economic impasse? Whatever other nations may do, the safest pathway for the United States of America, I am convinced, is economic salvation not by fascism or socialism, but by taxation.

By the intelligent raising and spending of public revenues we can replace our economic swamps and volcanoes with a high and productive plateau of general well-being. Paradoxical as it may sound, the taxing power, scientifically applied, may be the most potent factor in restoring tax-paying ability.

"Under present conditions," Mr. Cummin states with much emphasis, "government cannot get the money to maintain its former scale of expenditures." This is true, of course, of government in many individual municipali-

ties. But every municipality is a political subdivision of a state, and every state is a member of the Federal Union; and for government as a whole there is certainly no fundamental inability to maintain or increase its former scale of expenditures. If some great nation were to declare war on us tomorrow, everybody knows that we could borrow or conscript billions of dollars and millions of men for the public defense; that the factory wheels would begin to hum; that we should stop worrying about surplus farm products; and that the railroads would soon be selling their upper berths again. Is it beyond our powers to organize our war against domestic destitution with the liberality and statesmanship of a war against foreign aggression?

So my answer to the question under discussion, is to suggest to municipal officials and local civic bodies a four-fold course of action:

(1) Coöperate with other local leaders in organizing a Citizens' Council for Constructive Economy,[2] to consider how best to maintain essential community services and to produce actual and permanent improvements in local governmental organization and methods.

(2) Through such a council, or otherwise, make a special study of the public revenues of your municipality. Consider especially methods of taxation whereby the services of local governments might be more largely financed through the land values which such services create. As the platform of the recently organized General Welfare Tax League suggests, it is important "that thoughtful consideration be given to the proposal for the gradual removal of taxes from improvements in or on the land, and from machinery, tools and personal property, whether tangible or intangible; accompanied by an increased tax on site values, and a moderate periodic increment tax on land value increases." Legislation authorizing so fundamental a change in the local tax system would be too late to cure present economic ills, but is worth working for as an aid to tax justice and as a means of preventing a repetition of the orgy of land speculation which was a major cause of the present depression.

(3) Play your part in state and national affairs by insisting that, in so far as local governmental units cannot meet the urgent problems resulting from economic forces beyond their control, these forces shall be controlled by the taxing power or the credit of your state or of the federal government. Specifically, for example: (a) few cities would find budget-slashing essential if relief of the involuntarily unemployed were to become—as it ought to be—a responsibility of the state or of the federal government; (b) far preferable to the sabotaging of the schools would be the assumption by the state of an increased share of the cost of public education; (c) as an aid to street paving and maintenance, many states might with justice assign to the municipalities a greater percentage of gasoline revenues; and (d) indirect aid to citizens in meeting their tax payments might be given through effective demands for reductions in public utility rates in the many cities where such charges are now excessive.

(4) Have the courage, where necessary, to advocate new or increased taxation on incomes and inheritances—with ultimate benefits far outweighing present burdens. Weigh the great advantages which would result from the prompt issuance of five billion dollars or more in Prosperity Bonds, to be sold as were the Liberty Bonds during the War, thus bringing money out of hoarding and furnishing funds for direct relief and for a program of public works, national, state, and local, on a scale vast enough to prime the economic pump.

As a prominent member of the Roosevelt Cabinet, Secretary Dern, said in Boston on March 17: "Let no timid soul, nor special propaganda frighten us into thinking that our national credit is in danger. Our national credit has never been in danger. Have we become so weak and puny that a deficit of $5,000,000,000 can undermine any American's faith in the soundness of his government? Have we forgotten that in 1918 we had a deficit of $9,000,000,000 and in 1919 we had a deficit of $13,000,000,000 without hurting our national credit?"

As a final word, may I suggest that the need of the hour is not for timid agitation for balancing the budget, but for vigorous action in banishing the depression. The major responsibility is in Washington; but the states and the cities can help if they will.

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[2]See page 157, this issue.

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THE LEAGUE'S BUSINESS

Dr. Russell Forbes Resigns as Secretary.—On April 7, 1933, Dr. Russell Forbes, who has served as secretary of the National Municipal League since July 1, 1928, resigned, effective April 15, to accept a position as director of a newly-organized division of research in public administration at New York University. Coincident with the appointment, Dr. Forbes was advanced from associate professor to full professorial standing in the department of government at New York University, where he has conducted the courses in municipal government and administration for a number of years.

The new division plans a comprehensive program, including the establishment of courses in the graduate school leading to the degrees of master of arts and doctor of philosophy in public administration, and surveys of specific problems in the organization and administration of the government of New York City and the New York metropolitan region.

While for him it represents personal progress and achievement, the resignation of Dr. Forbes as secretary of the League will be regretted by all who have seen the organization forge ahead under his administration. Only those who have been closely associated with him, however, can appreciate the tremendous amount of time and energy and the everlasting attention to detail this progress has required.

For several years Dr. Forbes also served as secretary of the Governmental Research Association, and director of the Municipal Administration Service in addition to his work as an officer of the League. He is nationally known as an authority on governmental purchasing and has been the mainspring of the movement toward the establishment of centralized purchasing in state and local government in this country. His book, "Governmental Purchasing," is the standard text and reference work in this field.

The undersigned knows he is echoing the thoughts of hundreds of Dr. Forbes' friends in the National Municipal League when he concludes this brief announcement with sincere good wishes for success.

HOWARD P. JONES, *Acting Secretary*